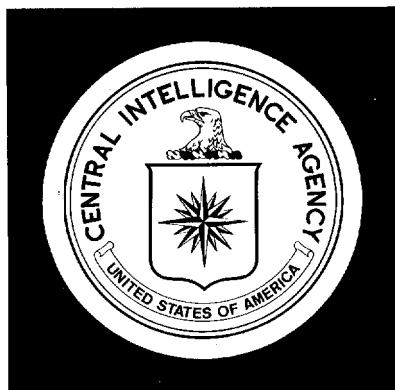


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Central Intelligence Bulletin

OSD REVIEW COMPLETED

Secret

No 041
14 July 1973

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Approved For Release 2004/07/08 : CIA-RDP79T00975A024800120001-3

Approved For Release 2004/07/08 : CIA-RDP79T00975A024800120001-3

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14 July 1973

Memorandum for Recipients of Secret-level CIB

The Central Intelligence Agency has decided to stop publishing the secret-level Central Intelligence Bulletin. The last edition will be issued on Saturday, 14 July 1973.

CIA, mindful of the need in some quarters for a daily intelligence summary at the secret level, plans to produce four regional briefs--covering East Asia, Middle East/Africa, Europe, and Western Hemisphere. These will be filed electrically four days a week: Monday, Tuesday, Wednesday, and Friday. On Thursday, these regional briefs will be replaced by a worldwide brief based on the Agency's Weekly Summary.

Arrangements have already been made to provide this service to a number of the users of the secret Bulletin. If your needs are not met and if you are in a position to receive these transmissions, you may call one of the following:

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Central Intelligence Bulletin

SECRET

SECRET

25X1



No. 0168/73
14 July 1973

Central Intelligence Bulletin

CONTENTS

INTERNATIONAL MONETARY DEVELOPMENTS: Dollar marginally stronger in Europe yesterday. (Page 1)

BELGIUM-MBFR: Belgians put forward own proposals for force reduction talks. (Page 2)

CHILE: Allende's efforts to ease tensions hampered by arming of civilians. (Page 4)

INDIA: Government moves to relieve petroleum shortages. (Page 5)

CHINA: Peking shifting work force to boost farm production. (Page 6)

SECRET

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Exchange Rate Changes Relative to the Dollar Since
The European Joint Float was Introduced on 19 March

(Figures in Percent)

	<u>7 May*</u>	<u>1 June</u>	<u>28 June</u>	<u>5 July</u>	<u>13 July</u>
Mark	-0.9	+5.6	+14.3	+22.0	+15.8
Guilder	-2.1	+3.9	+10.3	+13.2	+9.3
French franc	-0.4	+5.0	+9.9	+11.5	+10.4
Sterling	+1.3	+4.6	+5.0	+4.6	+2.0
Swiss franc	0	+5.8	+7.8	+16.9	+11.9
Yen	-0.3	+0.1	+0.2	0.0	0.0

*Dollar at strongest levels in recent months

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INTERNATIONAL MONETARY DEVELOPMENTS: The dollar was marginally stronger against almost all European currencies in trading yesterday. West German Bundesbank President Klasen confirmed that European and US central banks had supported the dollar, although with less than \$100 million, since last weekend.

European central bankers welcome US support for the dollar not only for its stabilizing influence on their exchange rates relative to the dollar, but also because it should help sustain the joint float. When the US intervenes in support of the dollar, it sells the strongest European currencies; the sales depress these currencies relative to others in the band, easing pressures that result from too wide a spread between the weakest and strongest band currencies.

In Tokyo the dollar closed almost unchanged from Thursday, but only because of renewed intervention by the Bank of Japan. Almost \$47 million was sold yesterday to meet the strong demand for dollars. If Tokyo had not intervened, the dollar would have strengthened.

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BELGIUM-MBFR: Belgian representatives yesterday presented proposals on substantive and procedural issues pertaining to the MBFR talks to the NATO permanent representatives. Brussels thus becomes the first European ally to follow up US reduction proposals with substantive MBFR proposals of their own.

The Belgians circulated a text outlining an option on troop reductions in addition to the three already proposed by the US. The so-called "Option IV" would involve a two-phase scenario in which the Western side would aim in the first phase of the negotiations for a 17-percent reduction in Soviet and American forces in Europe. During the second phase, the West would aim for a reduction in all other Eastern and Western forces to a level assuring over-all parity between NATO and the Warsaw Pact.

The proposal was offered, in part, in the hope of overcoming disagreement between most of the allies, who want to emphasize Soviet-American reductions, and some West German officials who want provisions for reductions in national forces as well.

The proposals on procedural questions indicate that Brussels wants to follow through on its demand that plenary meetings be the principal format for the negotiations this fall. The Belgians reluctantly accept the occasional use of more restricted procedures such as the emissary system so frequently used during the preparatory talks. In their opinion, the emissary system served as a "fig leaf" for American-Soviet bargaining. The Belgians agreed that emissaries or informal working groups under the direction of the entire Ad Hoc Group of Western representatives might be used to reach agreement with the Soviets on particular issues. Brussels has also proposed that the North Atlantic Council

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SECRET

be given final authority to resolve disagreements within the Ad Hoc Group. The allies generally prefer more flexibility in the use of plenaries, emissaries, etc., but Belgian proposals may gain support from some smaller allies who want greater visibility and more say in the formulation of Western negotiating positions.

Brussels' aggressiveness in expressing its views on substantive issues indicates a greater Belgian interest in the question of indigenous reductions than had previously been evident. In trying to satisfy the West Germans on this score, the Belgians may also be thinking about their own domestic pressures for early reductions of national forces.

25X1

SECRET

SECRET

CHILE: President Allende's efforts to ease tensions are being hampered by the continued arming of civilians who support the government.

Government spokesmen have been hinting that the regime is willing to compromise with the opposition on a number of contentious issues, and Allende is trying to entice the Christian Democrats into a "dialogue." The party has rebuffed Allende's overtures, declaring that discussions cannot take place until the government disarms civilians who have been given weapons by Popular Unity and extreme leftist groups. The Christian Democrats also are demanding that factories seized by workers at Allende's urging during the abortive military revolt on 29 June be returned to their owners, and that Allende promulgate the controversial "three areas" constitutional amendment that would define the extent of government control of the economy.

Allende reportedly is upset over the widespread distribution of arms and by the Popular Unity parties' failure to heed his order to stop. The government's official line, however, continues to be that the arms issue is an opposition fabrication.

The armed forces and police have conducted a number of arms raids, but still appear to be trying to avoid a clash with the government's civilian supporters. Armed forces concern could again reach dangerous levels for Allende if he cannot come up with a scheme to disarm his supporters without the use of force. Allende may have difficulty convincing his supporters that this is the time for dialogue and compromise. Socialist Party Secretary General Altamirano, for example, has declared that to talk to Christian Democratic leaders would be treason to Popular Unity principles and has called on the workers to prepare for a "major offensive of the masses."

25X1

14 Jul 73

Central Intelligence Bulletin

4

SECRET

SECRET

INDIA: The government has reversed its policy and will permit foreign-owned refineries to operate at full capacity. New Delhi hopes that this action will help to relieve the country of its petroleum shortages.

The government had previously restricted the operation of refineries operated by EXXON, CALTEX, and Burma Shell to three fifths of their capacity. Although the new policy allows full production, New Delhi also has set price ceilings on petroleum products that could force the refineries to operate at a loss because they do not fully cover the higher prices of crude oil on world markets.

New Delhi relies on imports for more than two thirds of its crude oil requirements and has had to turn to the foreign-owned refineries to increase production because its own refineries do not have adequate capacity. New Delhi also is searching abroad for its own guaranteed crude oil supply and has signed an agreement with Iraq that could cover one third of India's crude oil imports by 1978. An intensified search for domestic crude oil also has begun, with India seeking foreign private assistance on a contractual basis, but sharply increased domestic crude oil production is at best a distant prospect.

25X1

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SECRET

CHINA: Peking is shifting workers from small rural industrial enterprises to agricultural production units as part of the effort to boost agriculture in the wake of last year's disappointing harvest.

A Peking radio broadcast on 5 July reports a 4-7 percent reduction in the ranks of non-agricultural workers in a county in Shansi Province in response to guidelines publicized by the People's Daily on 3 July. These guidelines stipulate that industrial workers should not exceed 5 percent of the total labor force at the county level in rural areas.

The broadcast also indicates that the rural "five-small-industries" program--an attempt to promote local self-reliance by decentralizing production--will bear the brunt of the cuts. It reported that 11 of 23 marginal coal mines in Chincheng County, Shansi were closed, and 63 of the 200 workers were transferred to a brigade-run fertilizer plant. The rest were returned to their farm production teams where they will make up a pool of skilled laborers.

The key criterion for continuing a specific "five-small" enterprise apparently is the extent to which it directly contributes to agricultural output. The five-small-industry program attained special prominence during the Cultural Revolution, and it is an integral part of the leftist social and economic doctrine espoused at that time. The current rollback is still another retreat from these policies.

There is no firm evidence that the new guidelines are curtailing rural cottage industries or local handicraft trade. These are important sources of peasant income, and any sharp restrictions would be highly unpopular.

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